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Tree Nuts

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Report Highlights:

This Greek tree nut report focuses primarily on almond and pistachios. The 2004 almond crop is significantly higher quality and 70% greater volume relative to last year's crop. The 2004 pistachio crop is relatively good quality and more than 5% larger than last year's volume. The recently approved new Common Agricultural Policy in the tree nut sector will grant generous subsidies to the growers, paid by both the EU and the national government.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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This report summarizes the situation and outlook for tree nuts in Greece, focusing primarily on almonds and pistachios-the two most important markets. A section briefly covering other nuts and a summary of the CAP reform decision of tree nuts are found at the end of this report.

Almonds

Production

Total almond output in 2003 totaled 10,000 MT (shelled basis) compared to 12,000 MT in 2002/03. This is considered to be a very low output of Greek almonds. Although almond orchards are all irrigated with dripping systems, the unfavorable weather conditions which prevailed in Greece during the recent years mainly in the area of Magnisia (eastern Thessaly) have negatively impacted production. Weather conditions have been characterized by frost, hail, heavy rains and extreme heat and summer droughts.

The frost, which prevailed in April 2003, caused serious damage to 2003/04 almond production. Almond trees were at the blossoming stage during the period of the frost and, as the temperature dropped below zero (reportedly minus 4°C or 24.8 F), it was feared that the damage to the blossoms might have been extended to the trees. Fortunately, this did not happen and the trees have recovered, resulting in a good expected output for 2004.

Almond production in 2004/05 is forecast at 17,000 tons (shelled basis), 70 percent above the 2003/04 small crop, which did not have favorable weather conditions. The quality of the crop is expected to range from very good to excellent, owing to mild weather.

Although it is very early to predict the size of 2005 almond harvest, in the attached PSD, almond production is forecast to be 15,000 MT, assuming normal weather conditions. With excellent weather, the crop could reach 17,000 MT or greater. This estimate is considered to be subject of further revisions until the summer of 2005.

In the past 10 years, Greek farmers have introduced new late-blooming varieties of almonds, particularly Texas-Mission and Feragnes. Later almond blooms mean less risk of damage from spring frost. The newer Feragnes variety has replaced many traditional varieties and has nearly entirely substituted for the older Texas-Mission variety in certain regions.

Policy

Until 2004, when tree nuts became part of the new CAP reform plans, neither almonds nor pistachios (or other tree nuts) were eligible for the common market organization in the EU (CMO) and did not benefit from the CAP. In addition to this, the lack of support from EU Agricultural Support Policies had persuaded farmers to uproot tree acreage and to convert the land to cultivation of arable crops (which are cotton, corn, sugar beets, industrial tomato and durum wheat) heavily supported by EU Policies.

The main areas of traditional almond production in Greece were the prefectures of Magnesia, Larisa, Serres, Katerini and Kavala all in Central and Northern Greece, where the number of trees have been significantly reduced since the accession of Greece into the EU in 1981. This reduction in orchards, was due to the fact that farmer prices did not satisfy producers' fixed costs, because tree nuts were not supported by EU Common Ag Policy. The 2004 CAP reform decision on tree nuts is summarized near the end of this report.

Trade

Trade in almonds is becoming more significant as both exports and imports are on the rise.

According to NSS official data (only available on calendar year basis), Greek almond exports are estimated to increase to 2,500 MT in 2004/05 due to a bumper crop. In 2005/06, exports will likely shrink, but remain in stronger than traditional levels. Exports of Greek almonds in CY 2003 totaled 1,636 MT (valued at € 6.0 million) compared to 589 MT in CY 2002 (valued at € 2.0 million) and to 826 MT in CY 2001 (valued at € 2.1 million). Almonds are mostly exported to EU countries and the Balkans.

The value of almond imports is growing rapidly. In CY 2003 the value of € 30.5 million of imported almonds is reported by the National Statistical Service (NSS) compared to € 16.3 million in 2002 and to € 9.1 million in 2001 and € 7.1 million in 2000, purchased mostly from the US. In CY 2003, the value of almonds purchased from US, the main supplier of the Greek market is reported at € 20.6 million.

Import volumes of almonds in the past 2-3 years tend to increase due to the shortage of domestic production. These foreign supplies are primarily used by the confectionary and chocolate industries, due to a different taste from those domestically produced which are mostly consumed as snacks. Almond imports are up significantly to 9,000 MT in 2003/04 and will remain strong in the coming years. According to National Statistical Service data, almond imports from the US in 2003 are estimated at 6,955 MT compared to those in 2002 of 4,066 MT (CY Basis). An additional amount of about 180-200 MT was imported from Germany, which according to trade sources may be of U.S. origin. The second largest supplier of almonds in CY 2003 was Spain at 2,134 MT. According to trade sources, Spanish almonds were not of good quality, due to the drought that prevailed throughout Europe in the summer period. In order to cover increased local demand, Greek traders would usually approach almond suppliers in Israel and Turkey to negotiate almond purchases. However, Turkey reportedly did not have plentiful volumes of almonds to offer of good quality in 2003. The value of the US Dollar against the Euro is an incentive for massive almond imports into Greece from the United States. As a result of these factors, total almond imports into Greece for the MY 2004/05 are expected to exceed 7,000 MT, mostly from the US, as the Athens 2004 Olympics approach and demand increases. In 2005/06, imports are expected to decrease to 6,500 MT.

Prices

Grower prices for 2003 crop fluctuated between € 3.8-3.9 per kg (shelled basis) for almonds used mostly by the confectionary and chocolate industry and € 4.5-4.6 per kg for almonds purchased by processing plants for snack food packaging. These prices are slightly increased over the prices paid a year earlier due to the small crop. Although too early for actual prices, it is reported that in 2004 grower prices are expected to fluctuate to lower levels from those in 2003, due to the larger forecasted crop. In addition, product quality should be better than recent years.

Current retail almond prices in the Greek market (snack packages of 200, 500 and 1,000 grams) fluctuate between € 9.0-11.8 per kg, for roasted, salted and flavored almonds. According to trade sources, import prices for ?? 2002/03 are approximately \$3,700- \$4,300 per MT (CIF) for almonds purchased from U.S.

Consumption

Greeks are the largest nut consumers in the world. According to trade sources, domestic consumption has risen almost 30% in the past ten years and is expected to stabilize somewhere between 19-21,000 MT per annum. Greece's consumption of tree nuts is 5.5 kilograms per capita, annually (or 12.13 pounds/capita/year). This includes all nut consumption: almonds, pistachios, hazelnuts, walnuts, groundnuts, pecans and other types of nuts. Over 35% percent of the total amount, or 2.0 kilograms (or 4.41 pounds) per capita represents consumption of almonds. One primary reason is that the confectionary sector, ice cream and chocolate industries prefer to use almonds. In an average year, heavy consumption of tree nuts starts in October, peaks in December and January, and declines in April and May.

Pistachios

General

Greek pistachio production in 2003/04 totaled 9,000 MT, which is considered to be a relatively good harvest. Spring frost, which prevailed in April 2003, did not affect pistachio trees as much as other nut trees because they blossom later. In addition, trees are minimally affected by drought, as all pistachio (and Almond) orchards in Greece are irrigated with dripping systems.

Reportedly, aging of the trees -- coupled with a parasitic diseases which began on the island of Aigina (south of Athens) and infected other pistachio farms in central Greece -- have forced growers to uproot a number of orchards. Due to disease damages, which in 2003 were mostly observed in the prefecture of Fthiotis (Central Greece) and the island of Aigina, pistachio production in Greece, showed a downward tendency.

On the other hand, the increase in the cost of labor in recent years, has discouraged farmers from replacing orchards and have focused them on managing pistachio orchards in a better way by applying more effective plant protection practices.

In a good year, Greek pistachio harvest can easily reach 10,000 MT. New orchards in full production appear in Thessally and the peninsula of Halkidiki in central Macedonia, well managed and free of diseases with a tendency to expand. In these regions, organic tree nut production is occurring, practiced in the framework of relevant EU Directives.

In 2004/05, harvest is predicted to be 9,500 MT (figure is subject to further revision later in the year). Weather conditions were favorable and product quality is expected to be at satisfactory levels. If weather conditions during blossoming period in 2005 are normal, then pistachio output in 2005/06 will be at the same level with 2004 harvest.

Prices

Grower prices in 2003 fluctuated between 5.30-5.35 €/kg for the best quality pistachios (delivered with 95% open nuts). However, when large percentage of nuts remain closed, farmers receive a lower price from traders and processors as they have to incur the costs of mechanical shelling, which is then incorporated into the final price paid by the consumer. When this product is finally sold in the retail market as shelled product in snack packages, it fetches a high retail price.

MY 2004/05 pistachio prices to be received by the growers are predicted to fluctuate between the same levels as in MY 2003/04, cited above.

Trade

In CY 2003, imports of pistachios totaled 2,982 MT (valued at € 9.0 Million), compared to 2,546 MT (valued at \$8.1 million) in 2002 and to 1,204 MT in 2001 (valued at € 3.6 million) purchased mostly from Iran and Turkey. Due to shortage of Greek pistachios compared to steadily increasing demand, imports approach 3,000 MT/year compared to less than 2,000 MT a few years back. In CY 2003, only 45 MT of imports are reported from the United States at the value of €109 thousand, although some of the pistachios entering Greece through the EU may have originated in the U.S.

In CY 2003, exports of Greek pistachios are limited and totaled only 319 ?? valued at € 955 thousand, compared to 461 MT in CY 2002 valued at €1.27 million. For both MYs 2004/05 and 2005/06 export trade for Greek pistachios is of secondary importance, after fulfilling domestic consumption needs, which are of primary importance. Once domestic demand is well covered, then some exports of limited amounts may take place.

Consumption

Domestic consumption since 2002 is estimated at 12,000 MT/annually, which is likely to increase in the next several years, due to the increase of pistachio usage in the confectionary and the ice cream sectors. For the current year, with Athens 2004 Olympics in August and Para-Olympic games in September, there may be a slight increase experienced, compared to the year before and the year after, due to a higher demand by the snack and food industry sectors that use pistachios.

Other Nuts

Since Greeks are reported to be the larger consumers of tree nuts (and of all kinds of nuts) in the world, Greece is a potential market for further development for high quality US nuts, including almonds, hazelnuts and pecans in particular. There is also good prospect for resurrecting US walnut imports, due to demand for high quality walnuts for the confectionary and bakery sectors in Greece.

U.S. walnuts (in shell) are generally imported in Christmas time, and usually do not exceed 100 MT/year. U.S. hazelnut (also known as Filberts) imports fluctuate between 30-40 MT per year, which according to packers may increase in the years to come. U.S. Pecans are also imported in limited amounts of 30-40 MT/year.

CAP Reform Decisions on Tree Nuts

Under the recent new CAP reform decisions, Almonds, Pistachios, walnuts, hazelnuts, chestnuts and carobs are to be covered products, effective 1st of January 2005.

Under this program, Greek (and all EU) Tree Nut farmers will receive the amount of € 120.75 /?a, as income support (based on land surveys of 1999 and 2000). In addition, National governments can offer up to an equal amount of Euros, as an additional support, called a "top-up" payment, from their national budget sources.

This support will be paid for a certain acreage cultivated with the above mentioned nuts (guaranteed threshold in Ha), which for Greece is limited to 41,100 Ha. This makes a total annual EU payment for Greek tree nut farmers of around €5.0 million while an equal

amount may be paid-out by Greek budget sources. The Greek government has not decided yet the terms of the matching payment to support the tree nut farmers. Reportedly, the Ministry of Agriculture will proceed with negotiations with farmer groups around the country during the fall of 2004.

The minimum size of an orchard to be eligible for EU and/or GOG payments is one-tenth of a hectare, cultivated only with nut trees (not mixed with other crops). Scattered trees among other crops, orchards that cover less than one-tenth of a hectare, or trees planted in yards and along road verges, are not eligible.

Presently, only almonds and pistachios occupy a large enough acreage, (which equals 45,122 Hectares around the country) to qualify for the new tree nut regime. This means that much of the acreage cited in PSDs, will not be eligible for EU support payments nor Greek National payments.

According to the Ministry of Agriculture, the total acreage actually cultivated in Greece with nut tree systematic orchards (all tree nuts) is presently estimated at only 3,017 Ha (irrigated and satisfying the EU standards for payment eligibility). This means that the EU guaranteed threshold is not fully covered; therefore, there are good prospects for expansion of such crops in Greece. Acreage per individual nut tree can be determined according to demand and can vary from region to region provided that the acreage threshold is not exceeded. Farmers and farmer groups in various regions of Greece, see this as an incentive to restructure their crops and shift from arable crops (i.e. cotton, sugar beets and other) to Tree Nut crops.

EU Member States have the freedom to impose certain terms in order to consider which farmers are eligible for these payments (i.e. members of farm groups). Farmers may apply every year before March 15 by citing information such as: their number of trees, density of trees per orchard, geographical location and size of orchard etc. Payments will be granted after the completion of field inspections that are to be carried out by local Ministry of Agriculture authorities.

U.S. Trade Prospects

The EU sets strict controls for aflatoxin content for all imported and exported fresh or dried products from third countries. These are instituted by the National Chemical Laboratory.

Reportedly, Iranian pistachios (and U.S. peanuts) face more problems with aflatoxin content levels when compared to other kinds of nuts imported into Greece. This means that imported quantities of pistachios from countries, such as the United States, may increase. It should also be noted that U.S. aflatoxin tolerance levels currently are higher than those required in the EU. Peanuts, which are not a tree nut, are not covered in this report.

PS&D Table, Almonds, Shelled Basis

PSD Table

| Country | Greece | | | | | | UOM |
|----------------------|---|--------------|--------------|--------------|--------------|--------------------|-----|
| | Almonds, Shelled Basis (HA)(1000 TREES)(MT) | | | | | | |
| Commodity | 2003 | Revised | 2004 | Estimate | 2005 | Forecast | |
| | USDA Official [| Estimate [D] | A Official [| Estimate [D] | A Official [| Estimate [New] | |
| Market Year Begin | 09/2003 | | 09/2004 | | 09/2005 | MM/YYYY | |
| Area Planted | 40000 | 39500 | 40000 | 40050 | 0 | 40100 (HA) | |
| Area Harvested | 39953 | 39350 | 39953 | 39953 | 0 | 40015 (HA) | |
| Bearing Trees | 14000 | 14000 | 14000 | 14020 | 0 | 14040 (1000 TREES) | |
| Non-Bearing Trees | 10 | 20 | 10 | 20 | 0 | 20 (1000 TREES) | |
| Total Trees | 14010 | 14020 | 14010 | 14040 | 0 | 14060 (1000 TREES) | |
| Beginning Stocks | 4123 | 4123 | 3523 | 3623 | 3173 | 4123 (MT) | |
| Production | 12000 | 10000 | 15000 | 17000 | 0 | 15000 (MT) | |
| Imports | 4000 | 9000 | 2500 | 7000 | 0 | 6500 (MT) | |
| TOTAL SUPPLY | 20123 | 23123 | 21023 | 27623 | 3173 | 25623 (MT) | |
| Exports | 600 | 1500 | 850 | 2500 | 0 | 1800 (MT) | |
| Domestic Consumption | 16000 | 18000 | 17000 | 21000 | 0 | 19800 (MT) | |
| Ending Stocks | 3523 | 3623 | 3173 | 4123 | 0 | 4023 (MT) | |
| TOTAL DISTRIBUTION | 20123 | 23123 | 21023 | 27623 | 0 | 25623 (MT) | |

Export Trade Matrix, Almonds, Shelled Basis

Export Trade Matrix

Country Greece

Commodity Almonds, Shelled Basis

Time Period Units:

Exports for:

U.S. U.S.

Others Others

| | | | |
|-------------|-----|-------------|------|
| France | 63 | France | 296 |
| Sweden | 17 | Italy | 413 |
| Netherlands | 23 | Netherlands | 75 |
| Spain | 10 | Spain | 110 |
| Other EU | 11 | Germany | 109 |
| >EU Total | 124 | U.K. | 38 |
| Yugoslavia | 95 | Other EU | 36 |
| Bulgaria | 150 | >EU Total | 1077 |
| Cyprus | 124 | Bulgaria | 204 |
| | | Cyprus | 166 |

Total for Others 493 1447

Others not Listed

Grand Total 599 1636

Import Trade Matrix, Almonds, Shelled Basis

Import Trade Matrix

Country Greece

Commodity Almonds, Shelled Basis

Time Period Units:
 Imports for:
 U.S. U.S.

| Others | | Others | |
|-------------|------|-------------|------|
| Italy | 46 | Italy | 2 |
| Spain | 1497 | Spain | 2134 |
| Germany | 161 | Germany | 187 |
| Belgium | 8 | Sweden | 1 |
| Netherlands | 48 | Netherlands | 8 |
| France | 62 | >EU Total | 2391 |
| >EU Total | 1822 | Bulgaria | 20 |
| Chile | 30 | Israel | 16 |
| | | | |
| | | | |

Total for Others 1852 2427
 Others not Listed
 Grand Total 5918 9382

PS&D Table, Pistachios, Inshell Basis

PSD Table

| Country | Greece | | | | | | UOM |
|----------------------|--|------------|---------------|------------|---------------|----------------|--------------|
| | Pistachios, Inshell Basis (HA)(1000 TREES)(MT) | | | | | | |
| Commodity | 2003 | Revised | 2004 | Estimate | 2005 | Forecast | |
| | USDA Official [| Estimate [| DA Official [| Estimate [| DA Official [| Estimate [New] | |
| Market Year Begin | 09/2003 | | 09/2004 | | 09/2005 | MM/YYYY | |
| Area Planted | 5020 | 5120 | 5020 | 5120 | 0 | 5122 | (HA) |
| Area Harvested | 5120 | 5020 | 5120 | 5020 | 0 | 5022 | (HA) |
| Bearing Trees | 1284 | 1284 | 1284 | 1290 | 0 | 1300 | (1000 TREES) |
| Non-Bearing Trees | 16 | 16 | 16 | 20 | 0 | 15 | (1000 TREES) |
| Total Trees | 1300 | 1300 | 1300 | 1310 | 0 | 1315 | (1000 TREES) |
| Beginning Stocks | 4440 | 4440 | 4980 | 4140 | 5480 | 3090 | (MT) |
| Production | 9000 | 9000 | 9200 | 9500 | 0 | 9500 | (MT) |
| Imports | 2000 | 3000 | 1800 | 2800 | 0 | 3000 | (MT) |
| TOTAL SUPPLY | 15440 | 16440 | 15980 | 16440 | 5480 | 15590 | (MT) |
| Exports | 460 | 300 | 500 | 350 | 0 | 350 | (MT) |
| Domestic Consumption | 10000 | 12000 | 10000 | 13000 | 0 | 12000 | (MT) |
| Ending Stocks | 4980 | 4140 | 5480 | 3090 | 0 | 3240 | (MT) |
| TOTAL DISTRIBUTION | 15440 | 16440 | 15980 | 16440 | 0 | 15590 | (MT) |

Export Trade Matrix, Pistachios, Inshell Basis

Export Trade Matrix

Country Greece

Commodity Pistachios, Inshell Basis

Time Period Units:

Exports for:

U.S. U.S.

Others Others

| | | | |
|------------|-----|----------------|-----|
| Italy | 14 | Italy | 96 |
| Sweden | 19 | Germany | 44 |
| U.K. | 92 | France | 3 |
| France | 14 | Belg. and Lux. | 2 |
| Other EU | 7 | >EU Total | 145 |
| >EU Total | 146 | Yugoslavia | 91 |
| Cyprus | 63 | Cyprus | 19 |
| Yugoslavia | 59 | Bosnia-Herzeg. | 14 |
| FYROM | 112 | FYROM | 9 |
| | | Bulgaria | 35 |

Total for Others 380 313

Others not Listed

Grand Total 461 319

Import Trade Matrix, Pistachios, Inshell Basis

Import Trade Matrix

Country Greece

Commodity Pistachios, Inshell Basis

Time Period Units:
 Imports for:
 U.S. U.S.

| Others | | Others | |
|-------------|------|----------------|------|
| Germany | 63 | Germany | 1219 |
| Spain | 22 | Spain | 156 |
| Italy | 9 | U.K. | 404 |
| Netherlands | 3 | Netherlands | 105 |
| >EU Total | 97 | Belg. and Lux. | 25 |
| Iran | 2224 | >EU Total | 1909 |
| Turkey | 223 | Iran | 673 |
| | | Turkey | 275 |
| | | Syria | 62 |
| | | China | 18 |

Total for Others 2544 2937
 Others not Listed
 Grand Total 2544 2982